

## Small Business Lending: Second Quarter 2013

### *Demand for Small Business Loans Improved*

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Borrowing conditions improved for small businesses in the second quarter of 2013. Between April and June, bankers reported stronger demand along with eased bank lending policies for business loans.<sup>1</sup>

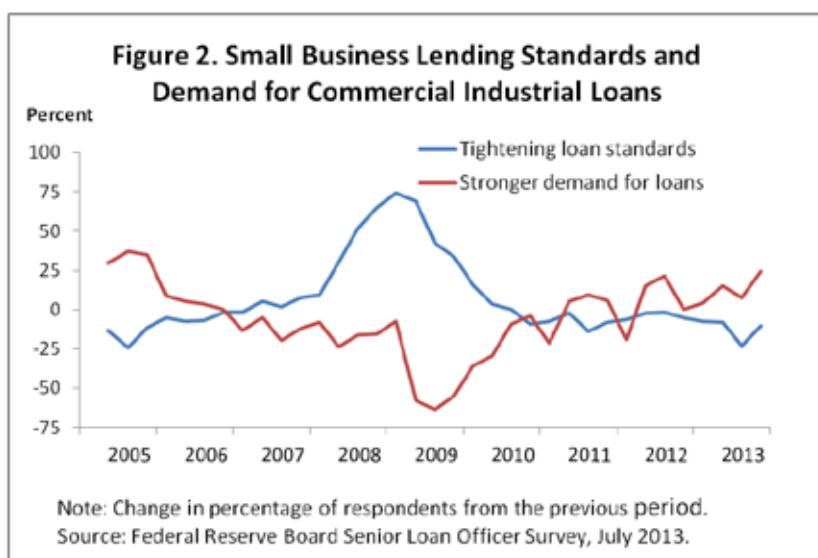
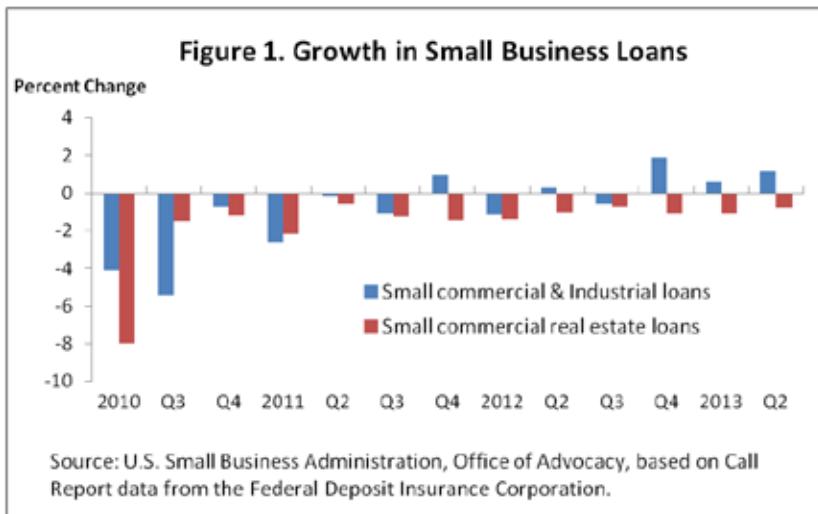
#### ***Small Business Loans***

Small business loans outstanding (under \$1 million) consist of nonfarm, nonresidential properties, or commercial real estate (CRE) loans, and commercial and industrial (C&I) loans. In the second quarter of 2013, C&I loans constituted the largest share in terms of number of loans (94.1 percent) while CRE loans had the largest share in terms of dollar volume (50.7 percent). These loans combined were valued at \$585.0 billion, a slight increase of 0.2 percent from the previous quarter based on the recent Call Report data.

Total small business lending continued to be weighed down by CRE loans. However, CRE loans decreased at a much slower pace—one of the smallest rates of decline since the financial crisis (Figure 1).

#### ***C&I Lending Growth on the Rise***

According to the latest Senior Loan Officer Survey, small business lending for C&I loans showed increased demand over the second quarter as lending standards loosened (Figure 2).



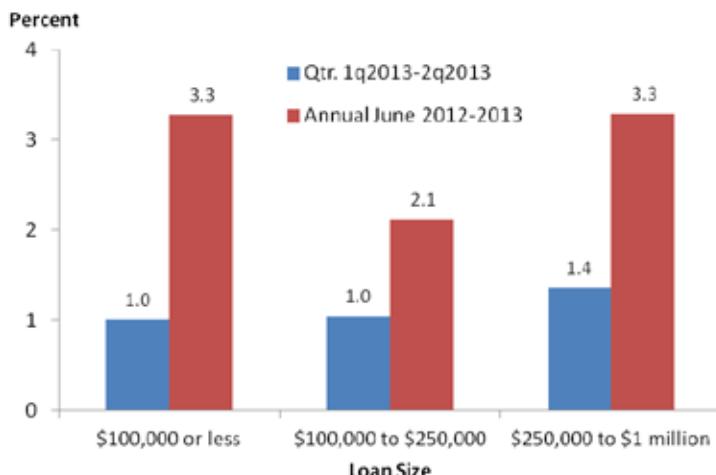
<sup>1</sup>Federal Reserve Board, Senior Loan Officer Survey, [www.federalreserve.gov/boarddocs/SnLoanSurvey](http://www.federalreserve.gov/boarddocs/SnLoanSurvey)

Total small business C&I loans experienced growth for the third consecutive quarter. Quarterly and annual increases were observed in all three C&I loan sizes (Figure 3). The increase in total small business C&I loans over the past year was 3.1 percent, an annual growth rate not seen since 2004 during normal periods (business cycles). The aggregate number of loans is dominated by the smallest C&I loans or micro loans, which constitute 90 percent of all loans held by depository institutions.

## Mega Lenders

Analysis of lending by bank holding companies and other depository lenders (assets over \$50 billion) indicates that micro business loans outstanding in the first half of 2013 increased by 4.0 percent from the second half of 2012. The concentration of these loans in the smallest loan size category reflects the dominance of large lenders in the credit card market.

**Figure 3. Quarterly and Annual Change in Commercial and Industrial Loans by Loan Size**



Source: U.S. Small Business Administration, Office of Advocacy, based on Call Report data from the Federal Deposit Insurance Corporation.

QUESTIONS OR PRESS INQUIRIES?  
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*Quarterly Lending Bulletin* is produced in the Office of Economic Research of the Office of Advocacy. Direct questions to [advocacy@sba.gov](mailto:advocacy@sba.gov) or (202) 205-6533. See the Advocacy publication, *Small Business Lending in the United States, 2012* for state rankings of small business lenders ([www.sba.gov/advocacy/7540](http://www.sba.gov/advocacy/7540)) and *Frequently Asked Questions about Small Business Finance* for basic information about the financial ecosystem ([www.sba.gov/advocacy/9601](http://www.sba.gov/advocacy/9601)).